March 21, 2023 (Revised)

One International Center Private Limited: Rating reaffirmed; outlook revised to Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based- Term Loans	2250.00	2250.00	[ICRA]BBB+, reaffirmed & outlook revised to Stable from Negative
Long Term - Non-fund based	14.00	14.00	[ICRA]BBB+, reaffirmed & outlook revised to Stable from Negative
Long Term - Unallocated	181.00	181.00	[ICRA]BBB+, reaffirmed & outlook revised to Stable from Negative
Non-Convertible Debentures (NCD)	473.00	473.00	[ICRA]BBB+, reaffirmed & outlook revised to Stable from Negative
Total	**2918.00**	**2918.00**	

**Instrument details are provided in Annexure-I*

Rationale

The revision in outlook to Stable from Negative factors in the improvement in the occupancy for Towers 1, 2 and 3 to 60% as of December 2022 from 51% as of April 2022, along with fund infusion of Rs. 100 crore by the sponsor in H1 FY2023. Further, the company availed an additional line of credit of Rs. 650 crore, which along with the existing free cash balances of Rs. 86 crore as on January 31, 2023, would be adequate to meet any funding shortfall over the medium term.

The rating reaffirmation continues to factor in the attractive location of the commercial property of One International Center Private Limited (OICPL) in Lower Parel, which is a well-developed commercial location and well-connected through rail and road network. The rating continues to draw comfort from OICPL's strong sponsor profile, which holds 100% of the company through its affiliates, i.e. entities owned or managed by The Blackstone Group Inc. (the sponsor) and the resulting financial flexibility. The sponsor has a strong track record of developing and operating commercial real estate assets in India, and commands significant financial flexibility. Further, the sponsor remains committed to infuse funds in a timely manner to support the cash flow mismatches. The company is expected to maintain an adequate liquidity profile, which is further supported by an escrow mechanism for the rental cash flows and a debt service reserve account (DSRA) equivalent to three months of interest payments.

The rating, however, is constrained by the company's high leverage and weak coverage indicators. It remains exposed to refinancing risk for the debt of Rs. 650 crore raised recently, which has a bullet repayment after three years. However, OICPL's strong sponsor profile and the resulting financial flexibility, and the expected improvement in occupancy levels over this period mitigate the risk to an extent. The rating is constrained by the vulnerability of the debt coverage ratios to fluctuations in interest rates and occupancy levels. It remains exposed to vacancy risk, given the low average balance lease term for most of the existing leases. Further, the significant rent-free period for some of the new tenants and subdued increase in overall rentals are likely to keep the operating cash flows under pressure, though the available free cash balances and recently raised additional line of credit of Rs. 650 crore are anticipated to support the overall liquidity position. OICPL also remains exposed to market risks for Tower 4, which achieved 5% leasing tie-up till December 2022.

The Stable outlook reflects ICRA's opinion that the company will be able to ramp-up occupancy over the near-to-medium term, supported by the sponsor's track record, adequate fund availability to meet the medium-term obligations and sponsor's commitment to support.

Key rating drivers and their description

Credit strengths

Strong sponsor group with established track record lends financial flexibility – The company is 100% owned by the Blackstone Group, which is India's leading office landlord with a large portfolio of office properties across Bangalore, Pune, Hyderabad, Mumbai, the National Capital Region (NCR) and Chennai. The sponsor has established leasing relationships with several blue-chip multinational companies as well as Indian corporates. Its long track record in real estate sector and large, diverse portfolio in retail and commercial real estate business in India provides comfort and allows it to command high financial flexibility. ICRA expects the sponsor to support OICPL in the event of any cash flow requirement.

Favourable location of the property – OICPL is located in Lower Parel, Mumbai, adjacent to the 100 ft wide arterial road, Senapati Bapat Marg (Tulsi Pipeline Road). It is centrally located between Nariman Point and the BKC area. It is well-connected through road and rail network. The project is 0.5 kilometres (km) from Prabhadevi railway station (Western Railways line) and about 0.5 km from Parel station (Central Railways line). The Western Express Highway is about 4 km from the project site. The project has proximity to many well-known hotels and premium residential developments. This is likely to help OICPL in improving the occupancy over the medium term, as the demand for office space picks up with resumption of work from office.

Liquidity support through DSRA and fund infusion from sponsor – The company is required to maintain DSRA reserve equivalent to three months' LRD instalments. As on January 31, 2023, it had a DSRA balance of Rs. 61 crore. The sponsor had infused Rs. 100 crore in OICPL in H1 FY2023 and is committed to infuse more funds in a timely manner to support the cash flow mismatches. It has recently raised an additional line of credit of Rs. 650 crore, which along with the existing free cash balances of Rs. 86 crore as on January 31, 2023, would be adequate to meet any funding shortfall over the medium term.

Credit challenges

Moderate occupancy levels for Tower 1, 2 and 3; market risks accentuated by addition of Tower 4 – The committed occupancy for Tower 1, 2 and 3 improved to 60% as of December 2022, after facing a decline earlier to 51% as of April 2022 due to a couple of large vacancies during the Covid-19 pandemic. However, the low average balance lease term for the existing leases exposes it to vacancy risks. Moreover, the significant rent-free period for some of the new tenants, ranging within 6 to 12 months, and subdued increase in overall rentals are likely to keep the operating cash flows under pressure, though the available free cash balances and recently raised additional line of credit of Rs. 650 crore are expected to support the overall liquidity. OICPL also remains exposed to market risks for Tower 4, which achieved 5% leasing tie-up till December 2022.

High leverage and modest debt coverage indicators, refinancing risk for new debt raised – The company's debt coverage and leverage metrics have undergone deterioration over the last two fiscals due to substantial decline in occupancy and remain weak. It also faces refinancing risk for the line of credit worth Rs. 650 crore raised recently, which has a bullet repayment at the end of three years. However, OICPL's strong sponsor profile and the resulting financial flexibility, and the expected improvement in occupancy levels over this period mitigate the risk to an extent.

Vulnerability of debt coverage ratios to changes in interest rate and occupancy levels – The cash inflow is susceptible to volatility in occupancy or rent rates, while the cash outflow is relatively fixed in nature except for fluctuations in interest rates. ICRA notes that the lock-in period has expired for 14% of the leased area at present for Tower 1, 2 and 3 and another 40% of the leased area is due for lock-in expiry over the next two years (17% in FY2024 and 23% in FY2025), which may increase the vacancy risk.

Liquidity position: Adequate

The liquidity profile is supported by the unencumbered cash and liquid investments of Rs. 86 crore and DSRA of Rs. 61 crore as of January 2023. The company has recently raised additional line of credit worth Rs. 650 crore, which will have a bullet repayment at the end of three years. OICPL's strong sponsor profile and the resulting financial flexibility, and the expected improvement in occupancy levels are likely to mitigate the risk to an extent. Further, the sponsor remains committed to infuse funds in a timely manner to support the cash flow mismatches. In addition, it estimates a capex outflow of ~Rs. 20 crore in FY2023 towards the pending cost of Tower 4 and Rs. 35 crore towards fitment costs for a tenant.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case of a significant increase in occupancy of existing towers (Tower 1, 2 and 3), with the company realising the scheduled escalations on time, thus leading to an improvement in coverage ratios. Ramp-up in leasing tie-ups for the new tower (Tower 4) at adequate rental rates without a significant increase in leverage would be a credit positive.

Negative factors – Downward pressure on the rating could emerge if the debt coverage indicators remain weak, on a sustained basis, due to the inability to improve occupancy or in case of cash flow mismatches owing to delay in rent receipt from the lessees impacting the liquidity. Lack of timely support from the sponsor may also result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt backed by Lease Rental
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

One International Centre Private Limited (erstwhile Indiabulls Real Estate Company Private Limited) was incorporated on May 10, 2005. The company is involved in the business of purchasing, selling, developing, constructing, maintaining, acquiring on lease/hire purchase, and dealing in real estate properties and other related activities. In 2006, OICPL acquired 8 acres of the Elphinstone Mills Land in Mumbai through an auction conducted by NTC. OICPL holds freehold title to the land and received approval from Maharashtra to establish an IT Park at the project site.

Accordingly, OICPL developed an IT Park – Indiabulls Finance Center (IFC) at the Elphinstone Mills land in Lower Parel, Mumbai with a total leasable area of 1.7 mn sq ft comprising of Tower 1, Tower 2 and Tower 3. The company has now completed the construction of Tower 4 with total leasable area of 0.89 mn sq ft.

Key financial indicators (audited)

OICPL Standalone	FY2021	FY2022
Operating income	282.7	186.8
PAT	37.9	-329.0
OPBDIT/OI	77.9%	58.6%
PAT/OI	13.4%	-176.1%
Total outside liabilities/Tangible net worth (times)	8.9	8.0
Total debt/OPBDIT (times)	13.2	23.5
Interest coverage (times)	1.0	0.7

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; all ratios as per ICRA's calculation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2023)					Chronology of Rating History				
		Type	Amount Rated	Amount Outstanding as of Jan 31, 2023	Date & Rating	Date & Rating	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020		
			(Rs. crore)	(Rs. crore)	21-Mar-23	24-Jun-22	24-Jun-21	7-May-20	17-Feb-20	13-Jan-20	20-Dec-19
1	Term Loans	Long Term	2250.00	2035.8	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A - (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
2	Non-fund Based (Bank Guarantee)	Long Term	14.00	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A - (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
3	Unallocated Limits	Long Term	181.00	-	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Negative)	[ICRA]A- (Negative)	[ICRA]A- (Stable)	-	-	-
4	Non-Convertible Debentures	Long Term	-	-		[ICRA]BBB+ (Negative); Withdrawn	[ICRA]A- (Negative)	[ICRA]A- (Stable)	[ICRA]A - (Stable)	Provisional [ICRA]A- (Stable)	-
5	Non-Convertible Debentures	Long Term	473.00	471.0	[ICRA]BBB+ (Stable)	[ICRA]BBB+ (Negative)	[ICRA]A- (Negative)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term Loans	Simple
Non-fund Based (Bank Guarantee)	Very Simple
Unallocated Limits	Not Applicable
Non-convertible Debentures	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term Loan**	FY2020	-	FY2035	2250.0	[ICRA]BBB+ (Stable)
NA	**Non-fund Based Limit**	NA	NA	NA	14.0	[ICRA]BBB+ (Stable)
INE065I07031	**NCD**	Aug-2021	9.18%	Aug-2026	473.0	[ICRA]BBB+ (Stable)
NA	**Unallocated Limits**	NA	NA	NA	181.0	[ICRA]BBB+ (Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

Corrigendum

Document dated March 21, 2023 has been corrected with revision as detailed below:

- "Instrument Details", Page 5: The ISIN number and coupon rate for NCD is corrected.

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